GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4027
ANSWERED ON:09.08.2002
RATE OF INFLATION
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Will the Minister of FINANCE be pleased to state:

(a) whether a moderate rate of 1.0 percent inflation has not been able to strike the right balance between socially broad based economic growth and a moderate rate of price inflation;

(b) if so, the reasons therefor; and

(c) the radical reforms and structural adjustments in the economy are proposed to be carried out?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT G. GEETE)

(a) to (c): The impact of global recession, increased international competition through opening up of trade, coupled with subdued domestic demand and industrial slowdown dampened the inflationary expectations in the economy. Annual point to point inflation rate based on the Wholesale Price Index remained below 2% level between January - June2002. Since then, there is an uptrend, with the annual inflation rate approaching close to the 3% level towards the end of July. An uptrend in prices of manufactured products and signs of picking up of industrial growth are positive signals.

Economic reforms are an irreversible process and efforts are being made to broaden and deepen the reform process in order to bridge the gap between the Indian economy`s potential and actual performance. The main objective of the reforms and structural adjustment process carried out during the nineties was to achieve higher economic growth, which would help reduce poverty and improve income levels. Growth in the post reform decade has been higher than in the pre-reform decade and there has been a significant decline in the percentage of population living below poverty line during the nineties. Inflation rate in the post reform period has exhibited moderation indicating that a judiciously followed reform process can strike a right balance between broad based economic growth and subdued inflationary expectations.